



State of Utah

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## Utah State Tax Commission

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## 2008 ANNUAL RETURN INSTRUCTIONS FOR OIL AND GAS

Section 59-2-207 (1) (a) of the Utah Code states the following: "A person, or an officer or agent of that person, owning or operating property described in Subsection (1)(b) shall file with the commission, on a form prescribed by the commission, a sworn statement on or before **March 1** of each year: (i) showing in detail all real property and tangible personal property located in the state that the person owns or operates; and (ii) containing any other information the commission requires."

Returns for Assessment that are received incomplete will be considered as not timely filed and subject to a penalty. For failure to furnish the statement as required, or other information necessary to determine assessed valuation, the statute noted above provides for a penalty of 10% of the estimated tax due but not less than \$100.

The *Annual Return* is made up of ten (10) Sections: Some sections may not apply to your company. Underlined forms must be returned, reports are returned only if corrections are made to the information on the report.

1. Annual Return form (Taxpayer Statement)
2. Detail By Tax Area report
3. Land Valuation report
4. Improvement Valuation report (If applicable)
5. Personal Property Valuation report
6. Additions / Deletions of Land Parcels form
7. Additions / Deletions of Personal Property & Improvements form
8. Oil and Gas Questionnaire (Separate instructions included)
9. Leased Assets form
10. Construction Work in Process CWIP Detail form

The sections of the *Annual Return* that apply to your company must be reviewed, completed and returned to the Property Tax Division. If there are no corrections made on the Personal Property Valuation report, Improvements Valuation report or Detail by Tax Area report they need not be returned. Information can be furnished using the forms provided or may be submitted on a form prepared by the company as long as the necessary data is included and is presented in an understandable format.

**1. Annual Return form (Taxpayer Statement):**

This statement **must be signed** by a person who is authorized to make such a return and returned to the Tax Commission. Please make any necessary corrections to company name, contact person, address, telephone number and e-mail address.

**2. Detail By Tax Area report:**

Review this report and make any corrections as necessary. If no corrections are made, do not return the Detail by Tax Area report.

**3. Land Valuation report:**

Review this report to ensure that it contains the correct information (e.g. acres, legal description) for land that is a part of your operations. Additions and/or deletions should be detailed on the Additions / Deletions of Land Parcels form. If no corrections are made, do not return the Land Valuation report.

**4. Improvement Valuation report:**

Instructions are the same as those for the Personal Property Valuation report (listed below). If your company has not had any improvements in prior years, you will not receive this report.

**5. Personal Property Valuation report:**

This is a detailed list of all personal property by "State Property Number". Review this information and make corrections to "Make", "Model", "Description", "Serial Number", "Equipment Number", "Purchase Year", and "Cost". Additions and/or deletions should be detailed on the Additions / Deletions of Personal Property & Improvements form. If no corrections are made, do not return the Personal Property Valuation Report.

**6. Additions / Deletions of Land Parcels form:**

Include **all** owned and leased land additions and deletions. Also include any existing land parcels not included in the Land Valuation report. Include the legal description for all parcel additions and deletions. If adding a new land parcel that is leased from another party, indicate on the form the name and contact information of the lessor (e.g. Bureau of Land Management, John Doe, etc). This will help ensure that taxes will be assessed to the correct party.

**7. Additions / Deletions of Personal Property & Improvements form:**

Include **all** personal property and improvements additions and deletions including any new or existing properties not included in the report. Indicate in the first column either an addition or deletion. Give a brief description of the property in columns 2 through 7. Put the year of acquisition (purchase year) in column 8. The Property Tax Division will fill in column 9. Put the acquisition cost, that includes purchase price, transportation cost, installation cost and sales tax in column 10. Also include the value of materials and supplies as a line item on the form. If equipment is moved from one property to another it should be reported here also. If you do not have any additions or deletions of personal property or improvements write N/A on the form and include it with your return.

**8. Oil and Gas Questionnaire** (separate instructions included)

**9. Leased Assets form:**

List all leased assets on your sites for which you are **not** responsible for paying the property taxes. This equipment is reported to the counties by the Property Tax Division and is locally assessed to the lessor. Report on the Additions / Deletions of Personal Property & Improvements form, as if purchased by you, any leased equipment for which you **are** responsible for the property taxes. If you do not have any leased assets please write N/A on the Leased Assets form and include it with your return.

**10. Construction Work in Process CWIP Detail form:**

Major construction projects (compressor stations, processing plants, etc) that are partially complete on January 1 must be reported on the Construction Work In Progress CWIP Detail form at account balance (expended cost) as of January 1. Only include costs that are to be capitalized to property, plant, and equipment accounts. Only include amounts that are for expansion and not merely for existing plant replacement. An estimate of the completion date of the project is also needed. If you have no CWIP as of January 1, mark "N/A" on the form and send back with completed tax return.

If we can be of assistance in preparing your return, please contact Robert Patterson at (801) 297-3613, Brett Fullmer at (801) 297-3623 or Matt Hurst at (801) 297-3625.

## OIL & GAS QUESTIONNAIRE INSTRUCTIONS FOR YEAR 2008

The instruction numbers below correspond with item numbers on the Oil and Gas Questionnaire form. Complete only the areas, which are applicable and leave all other areas blank. No deductions are allowed for state and federal income taxes, property taxes, depreciation, depletion, interest expense, royalties or exploration costs. Listing an estimate of the 2008 operating costs is optional. If you leave this area blank, our office will estimate a future expense forecast based on your 2007 operating costs. Submit a copy of operating expense reports or lease operating statements if they are available. All information furnished is subject to audit by the Property Tax Division. An electronic version of the Oil & Gas Questionnaire is available at <http://propertytax.utah.gov/forms.html>

### GENERAL INFORMATION

1. **API#:** Enter the API# of the well. **NAME OF FIELD:** Enter the name of the field.
2. **GAS SELLING PRICE (GROSS):**
  - (a) *Either* (1) **GROSS AVERAGE SELLING PRICE BEFORE TRANSPORTATION:** Enter the average price received from gas sales during 2007 using the formula: Sales Value divided by Sales Volume.
  - Or* (2) **CONTRACT SELLING PRICE:** If you have a contract for gas sales, enter the amount of the contract price (\$/mcf) as of January 1, 2008. Include a copy of the contract.
  - (b) **SELF CONSUMED GAS:** Enter the total volume of self-consumed gas for this well.
  - (c) **LOST OR FLARED GAS:** Enter the total volume of lost or flared gas for this well.
3. **NATURAL GAS LIQUIDS SELLING PRICE:** Instructions are the same as #2 above except that natural gas liquids are in place of gas and selling price, units should be \$/gallon rather than \$/mcf.
4. **NGL PRODUCTION RATIO (GAL OF NGL'S/MCF OF GAS):** Indicate the number of gallons of NGL's produced per mcf of wellhead gas produced. This ratio should be in decimal format. Example: One gallon of NGL is produced for every 100 mcf of gas produced would be listed as 1/100 = .01.
5. **MAJOR PHASE (OIL OR GAS):** Enter either oil or gas as the major phase of the well.
6. **OIL TYPE & OIL GRAVITY:** List the type of crude oil being produced and the predominant wellhead gravity rating.
7. **INDIAN TAX RATES:** List the Indian (a) severance, (b) property tax in decimal format. Example: 7.25%, .0725.
8. **EXEMPT ROYALTY OWNERSHIP INTEREST:** Exempt Royalty ownership interest should be in decimal format as shown in the example above for Indian tax rates.
9. **OWNER OF GAS/OIL GATHERING SYSTEM SERVICING THIS PROPERTY:** Who owns the gathering system servicing this property. If the owner is other than the operator put address in the comments section.

### OPERATING COSTS

10. Please attach a copy of a Lease Operating Statement or Lease Operating Expense Report. If these reports are not available, detail the costs on a separate schedule. Examples of allowable costs include:
  - LABOR & MANAGEMENT SALARIES:** Only that portion of labor and management personnel salaries that pertain to the well production can be used as allowable costs. (As reported on I.R.S. W-2 Wage and Tax statements.)
  - PAYROLL TAXES AND BENEFITS:** Include any fringe benefits and taxes associated with allowable labor costs.
  - WORKERS COMPENSATION INSURANCE:** The amount paid for Workers Compensation Insurance, or in lieu of that compensation insurance. The actual amount of compensation for injured employees, and the compensation paid to the dependents of employees, required to be paid under the Worker's Compensation law of Utah.
  - GENERAL INSURANCE:** General insurance policy premiums paid are allowed. Do not include self-insurance amounts, which may be listed on company records.
  - TAXES:** Do not include state and federal income taxes or property taxes.
  - SUPPLIES AND TOOLS:** The costs of supplies and tools in well production are allowed.
  - POWER:** Power costs pertaining to well production are an allowable deduction.
  - MAINTENANCE AND REPAIRS:** Normal maintenance and minor repairs should be entered here. Major one-time repairs and workovers should be listed as capital costs in the capital repairs and replacement section.
  - OFFICE AND ACCOUNTING:** The portion of the office and accounting expenses pertaining to well production are allowed. Corporate overhead is not allowed.
  - ENGINEERING AND LEGAL FEES:** Engineering and legal fees associated with well production are allowed.
  - TREATMENT:** Treatment costs of products produced are allowed.
  - GATHERING EXPENSE OIL:** Include the oil transportation expense generated from company owned assets. See also Line 11.
  - GATHERING EXPENSE GAS:** Include the gas transportation expense generated from company owned assets. See also Line 12.
  - MISCELLANEOUS:** Any costs allowed by the State Tax Commission not listed above are allowed as a deduction. If you list miscellaneous costs, you must attach a schedule of those costs or they may not be allowed as a deduction.

INSTRUCTIONS CONTINUED ON BACK

11. **TRANSPORTATION OF OIL:** Contracted costs paid to a third party associated with transporting oil produced at the wellhead to the point of sale are allowed as a deduction. Report the cost per barrel charged by the third party.
12. **TRANSPORTATION OF GAS:** Contracted costs paid to a third party associated with transporting gas produced at the wellhead to the point of sale are allowed as a deduction. Report the cost per mcf charged by the third party.
13. **MISCELLANEOUS VARIABLE COSTS:** Any variable costs not listed under item 9 above are allowed under item 12. If you list miscellaneous variable costs, you must attach a detailed schedule of those costs or they may not be allowed as a deduction.

#### **CAPITAL REPAIRS & REPLACEMENTS**

14. The capital repairs and replacements section should include only costs associated with replacement of existing assets and workovers. Costs relating to the expansion of your operations are not allowed. Attach a schedule describing each cost.

#### **COMMENTS**

15. Include an explanation of any unique characteristics of this property that would affect market value.

*The value of licensed vehicles registered with the Utah State Tax Commission and utilized primarily in the Oil & Gas production will be deducted from the income valuation. Please submit a schedule with vehicle make, model, vehicle identification number, year of acquisition and your original cost.*

**If you are interested in filing this form electronically, please contact our office.**